

Internal Revenue Service  
District Director

Department of the Treasury

Person To Contact:  
[REDACTED]

Telephone Number:  
[REDACTED]

Refer Reply To:  
[REDACTED]

Code Section:

501(c)(7)

Date: MAY 19 1989

Certified Mail-Return Receipt Requested

Dear Sir or Madam:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The information submitted with your application indicates that you were incorporated [REDACTED] in the State of [REDACTED]. The purposes of your corporation as stated in your Articles of Incorporation are, "...preservation and enrichment of the traditional family way of life and family economic well being and engaging in such other activities as the Board of Director may specify from time to time by resolution."

Your application provides that your organization operates a service for its members whereby qualified members may order goods and services through your organization for considerable monetary savings as compared to retail costs of the same goods or services. Members are also eligible to participate in a group catastrophic hospital expense insurance plan provided by the organization. The only requirement for membership is completion of an application and payment of member dues. No other programs, services, activities, meetings or events are conducted for, by, with or on behalf of the membership.

Further, as provided in Revenue Rulings 58-589, C.B. 1958-2, 266 and 69-635, C.B. 1969-2, 126, in order to qualify under section 501(c)(7) these must be an established membership of individuals, personal contacts, and fellowship. Furthermore, a commingling of members must play a material part in the activities of the organization.

The only activities of your organization are the providing of a discount buying service and group hospitalization for your members. There is no commingling and fellowship does not constitute a material part of the life of the organization. The services do not afford an opportunity for personal contacts and fellowship among members receiving such services. Accordingly, you are not entitled to exemption under section 501(c)(7), nor do you qualify under any other paragraph of section 501(c) of the Code.

You are required to file a Federal income tax return, Form 1120, for the year ended [REDACTED] and for all subsequent years.

You have agreed to our proposed denial by submission of Form 6018, Consent to Proposed Adverse Action. Accordingly, this is our final determination letter.

If you have any questions, please contact the person whose name and number appears above.

Sincerely Yours,

[REDACTED]  
District Director

Enclosure:  
Copy 6018